2.10 INDIAN ACCOUNTING STANDARDS AND IFRS

2.10.1 Accounting Standard IN INDIA

Accounting standard (As) are written policy documents issues by expert accounting bodies or by government or other regulatory bodies covering the aspect of recognition, measurement, presentation and disclosure of accounting transactions in the financial statements.

Accounting standards are authoritative standards for financial reporting and are the primary source of generally accepted accounting principles (GAAP). Accounting standards specify how transactions and other events are to be recognized, measured, presented and disclosed in financial statements.

The objective of such standards is to provide financial information to investors, lenders, creditors, contributors and others that is useful in making decisions about providing resources to the entity.

The Accounting Standard adopted by companies in India and issued under the supervision of Accounting Standards Board (ASB) which was constituted as a body in the year 1977. ASB is a committee under Institute of Chartered Accountants of India (ICAI) which consists of representatives from government department, academicians, other professional bodies viz. ICAI, representatives from ASSOCHAM, CII, FICCI, etc.

The India AS are named and numbered in the same way as the corresponding International Financing Reporting Standards (IFRS). National Advisory Committee on Accounting Standards (NACAS) recommend these standards to the Ministry of Corporate Affairs (MCA).

S. No.	Title of Accounting Standard	Accounting Standard
1	Disclosure of Accounting Policies	AS- 1
2	Valuation of Inventories	AS- 2
3	Cash Flow Statements	AS- 3
4	Contingencies and Events Occurring After the Balance Sheet Date	AS- 4
5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	AS- 5
6	Depreciation Accounting	AS- 6
7	Construction Contracts	AS- 7
8	Accounting for Research and Development	AS- 8
9	Revenue Recognition	AS- 9
10	Accounting for Fixed Assets	AS- 10
11	The Effects of Changes in Foreign Exchange Rates	AS- 11
12	Accounting for Government Grants	AS- 12
13	Accounting for Investments	AS- 13
14	Accounting for Amalgamations	AS- 14
15	Employees Benefits (Revised 2005)	AS- 15
16	Borrowing Costs	AS- 16
17	Segment Reporting	AS- 17
18	Related Party Disclosures	AS- 18
19	Leases	AS- 19
20	Earnings Per Share	AS- 20
21	Consolidated Financial Statements	AS- 21
22	Accounting for Taxes on Income	AS- 22
23	Accounting for Investments in Associates in Consolidated Financial Statements	AS- 23
24	Discontinuing Operations	AS- 24
25	Interim Financial Reporting	AS- 25

26	Intangible Assets	AS- 26
27	Financial Reporting of Interests in Joint Ventures	AS- 27
28	Impairment of Assets	AS- 28
29	Provisions, Contingent Liabilities and Contingent Assets	AS- 29
30	Financial Instruments: Recognition and Measurement	AS- 30
31	Financial Instruments: Presentation	AS- 31
32	Financial Instruments: Disclosures	AS- 32

Disclosure of Accounting Policies (AS-1)

The objective of financial statements is to provide information about the financial position, performance and cash flows of an enterprise that is useful to a wide range of users, in making economic decisions.

Financial statements portray the effect of past events and transactions. Accounting policies and methods adopted by an enterprise, in turn, influence the effect of past events and transactions. Users must be able to compare the:

- Financial statements of any one enterprise through time so that trends and movements in performance and position can be identified, and
- Status of different enterprises for an evaluation of relative financial position and performance.

The disclosure by an entity of its accounting policies, enable users to :

- understand the past
- extrapolate to the future

Accounting Policy Means

- Specific principles (e.g. value inventories at lower of cost and net realizable value)
- Methods of application (e.g. cost formulas i.e. FIFO, Weighted Average)

For this purpose, the major considerations governing the selection and application of accounting policies are :

1. Prudence : In view of the uncertainty attached to future events, profits are not anticipated but recognized only when realized though not necessarily in cash. Provision is made for all known liabilities and losses even though the amount cannot be determined with certainty and represents only a best estimate in the light of available information.

2. Substance over Form : The accounting treatment and presentation in financial statements of transactions and events should be governed by their substance and not merely by the legal form.

3. Materiality : Financial statements should disclose all "material" items, i.e. items the knowledge of which might influence the decisions of the user of the financial statements.

Fundamental Accounting Assumptions

Certain fundamental accounting assumptions underlie the preparation and presentation of financial statements. They are usually not specifically stated because their acceptance and use are assumed. Disclosure is necessary if they are not followed.

The following have been generally accepted as fundamental accounting assumptions:-

1. Going Concern : The enterprise is normally viewed as a going concern, that is, as continuing in operation for the foreseeable future. It is assumed that the enterprise has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the operations.

2. Consistency : It is assumed that accounting policies are consistent more than one year.

3. Accrual : Revenues and costs are accrued, that is, recognized as they are earned or incurred (not as money is received or paid) and recorded in the financial statements of the periods to which they relate. (The considerations affecting the process of matching costs with revenues under the accrual assumption are not dealt with in this standard.)

Disclosure

- All significant accounting policies at one place as part of financial statements.
- Changes in accounting policies and the effect of the change on the financial statements (when change is permissible as prescribed by AS-5)
- If fundamental accounting assumptions going concern, consistency and accrual are not followed, disclose the fact.

Main Principles

- All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed.
- The disclosure of the significant accounting policies as such should form part of the financial statements and the significant accounting policies should normally be disclosed in one place.
- Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have a material effect in later periods should be disclosed. In the case of a change in accounting policies which has a material effect in the current period, the amount by which any item in the financial statements is affected by such change should also be disclosed to the extent ascertainable. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.
- If the fundamental accounting assumptions, viz. Going Concern, Consistency and Accrual are followed in financial statements, specific disclosure is not required. If a fundamental accounting assumption is not followed, the fact should be disclosed.

Valuation of Inventories (AS-2)

This accounting standard is formulated for valuation of the inventory with the enterprise in the course of business. It explains about the different methods of accounting the inventory or closing stock.

This valuation part of inventory is very important as it affects both revenue of the business and the asset. Because if valuation will be done at higher than actual, it will be shown in the trading account as closing stock and resulting in to increase in gross profit and the same value will also be shown in the balance sheet as current asset so it will increase value of asset.

Inventories Includes

(Includes, finished goods, work in progress, raw material, consumable, loose tools etc.

Net Realisable Value (NRV)

"Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale"

Valuation of Inventories

Inventories should be valued at lower of cost and net realizable value. Following are the steps for valuation of inventories :

(A) Determine the cost of inventories

(B) Determine the net realizable value of inventories

(C) On Comparison between the cost and net realizable value, the lower of the two is considered as the value of inventory. A comparison can be made the item by item or by the group of items.

Methods of Valuation of Inventory

There are numbers of method for valuation of the inventory in the normal course of business which includes FIFO, LIFO, weighted average cost, standard cost and retail method. But practically following two methods only used.

- FIFO (first in first out)
- Weighted average
- Cost of inventory

Valuation of inventory is made at cost or market/ net realizable value whichever is lower. So that for the purpose of valuation cost of inventory is required to obtain. There can be three types of cost are included in the inventory which are as follow.

Purchase Cost

- Invoice price at which goods are purchased
- Duties and taxes paid
- Freight inward

Above cost should be reduced by following :

- Duties and taxes received or receivable back from the tax authority
- Trade discount
- Rebate
- Duty drawback

Cost of Conversion

After purchasing the raw material or goods during the production time whatever cost is paid or payable will be considered as conversion cost. It includes direct labour, material and other direct expense plus allocation of fixed and variable production overhead incurred for conversion or raw material in to finished goods. Following things should be considered for conversion cost of the inventory.

Disclosure in Financial Statement

Valuation of inventory is made on comparison of cost and net realizable value whichever is lower. This value should be disclosed in the financial statements. Other things relating to inventory to be disclosed in accordance with Accounting Standard-1 are accounting policies adopted in measuring inventory, cost formula and classification of inventory such as finished goods, raw material and WIP and stores and spares etc.

Cash Flow Statements (AS-3)

The applicability of Cash flow statement has been defined under the Companies Act, 2013. As per the definition in the act, a financial statement includes the following :

(i) Balance sheet
(ii) Profit and loss account / Income and expenditure account
(iii) Cash flow statement
(iv) Statement of changes in equity
(v) Explanatory notes

Cash Flow Statement shows inflow (receipt) and outflow (payment) of cash (cash in hand and at bank), and cash equivalents (short term highly liquid investments), classified into.

(A) Operating Cash Flow : Cash flow on principal revenue generating activity and those, which are not classified in investing and financing activity i.e. Extraordinary items, Income tax will be included. It will be presented by Direct or Indirect method.

(B) Investing Cash Flow : It includes cash flow on purchase and sale of fixed assets and investments and interest dividend and tax thereon, loans given and receiving back.

(C) Financing Cash Flow : It includes cash flow on raising and repayment of loans, debentures shares and interest, dividend and tax thereon.

Contingencies and Events Occurring After the Balance Sheet Date (As-4)

AS 4 deals with treatment in the financial statements of :

(A) Contingencies

(B) Events which occur after balance sheet date

The followings that might result in the contingencies are excluded from the scope of AS 4 bearing in mind special considerations which are applicable to them:

(a) Liabilities of general insurance enterprises and life assurance which arises from the insurance policies issued

(b) Commitments which arise from a long-term lease contract

(c) Obligations under a retirement benefit plan

This accounting standard does not apply Liability of life insurance and general insurance, obligation under retirement benefit plans and commitments arising from long term lease contracts.

Contingency

- Existing condition or situation.
- Result of which (contingencies) is not known on the balance sheet date.
- Result of which (contingencies) would be known only on happening or non-happening of certain events in future.
- Result may be either gain or loss.

Important Note : Contingencies/provision which is shown as liability in the balance sheet is not covered by AS-4, It is covered by AS-29 "Provisions, contingent liabilities and contingent assets."

Accounting Treatment

There are two types of contingencies :

1. Contingencies relating to existing condition or situation at the balance sheet date:- If the expected outcome contingent gain it's covered in AS-29 and the expected outcome is loss it will be treated as under :

(A) **Probable Loss :** Outcome contingent loss is probable loss, the provision should be made. Probable loss is the future event or events are likely to occur.

(B) **Reasonably Possible :** Outcome contingent loss is Reasonably Possible, Disclosure is made in accounts by way of notes. Reasonably possible is the chance of the future event or events occurring is more than remote but less than likely.

(C) **Remote :** Outcome contingent loss is Remote than it will be ignored. Remote is the chance of the future event or events occurring is slight.

2. Contingencies relating to condition or situation after the balance sheet date:-In this case no accounting treatment is required, neither by way of provision nor by giving accounting notes.

Events Occurring After the Balance Sheet Date

These are those noteworthy events, favorable as well as unfavorable, which occurs between balance sheet date and date on which such financial statements are considered and approved by the BoD (Board of Directors) in case of companies, and, by equivalent approving authorities in the of other entities.

There are two kinds of events that could be identified:

(i) Events that gives further evidence of situations which subsisted at balance sheet date

(ii) Events that are indicative of situations which occurred following balance sheet date.

Accounting Treatment

- If the event related to circumstances existing on the balance sheet date, loss should be adjusted in the accounts and assets and liabilities to be adjusted (Adjusting events).
- If the event not related to circumstances existing on the balance sheet date, in other words new events after the balance sheet date, disclosure by way of notes to accounts only, no adjustment in accounts (Non-Adjusting events).

An event occurring after the balance sheet date shall be an adjusting event if it does not reflect any condition existing on the balance sheet date, if the event is such as to indicate that the fundamental accounting assumption of going concern is no longer appropriate.

Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies (AS-5)

AS 5 specifies the method of classification and disclosure for the following items :

(a) Prior period items

(b) Extraordinary items

(c) Certain specific items w.r.t. profit and loss from ordinary activities

The standard also describes the treatment of changes in accounting estimates and disclosures to be made on account of such changes.

The standard doesn't deal with tax implication on account of such changes as mentioned above.

Prior Period Items

Prior period items are income or expenses which arise in the current period as a result of errors of omissions in the preparation of the financial statements of one or more prior periods.

The nature and amount of prior period items should be separately disclosed in the statements of profit and loss in a manner that their impact on profit or loss can be perceived.

Example of such items is :

- Error in calculation in providing expenditure or income.
- Omission to account for income or expenditure.
- Applying incorrect rate of depreciation.
- Non-provision for salary already due in earlier years.

Extraordinary Items

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the enterprise and, therefore, are not expected to recur frequently or regularly.

The nature and the amount of each extraordinary item should be separately disclosed in statements of profit and loss in a manner that its impact on current profit or loss can be perceived.

Examples of such items are :

- Loss due to earthquake
- Attachment of property
- Government grants becoming refundable
- Government grant receivable as compensation for expenses of losses incurred in previous accounting period.

Profit/Loss from Ordinary Activities

Normally all items of income and expenses are recognized in a period are included in the determination of the net profit of loss for the period. This includes extraordinary items and change in accounting policies.

Where income or expenses arise out of ordinary activities but are of **exceptional size,** nature of incidence, they should be disclosed as separate line item in the statement of profit and loss. Although

these items are not "extraordinary items", examples of such items are :

- The write-down of inventories to net realizable value as well as the reversal of such writs down.
- Restructuring cost and the reversal of any provision for costs of restructuring.
- Disposals of items of fixed assets.
- Disposals of long-term investments.
- Legislative changes having retrospective applications.
- Litigation settlements.
- Other reversal of provisions.

Accounting Standard 6 : Depreciation Accounting

Depreciation is a measure of wearing out, consumption or loss in value of depreciable asset arising from usage or passage of time and nothing but allocation of cost of asset over useful life of asset.

Depreciation Accounting, was issued by the Institute in **November 1982.** Subsequently, in the context of insertion of Schedule XIV in the Companies Act in 1988, the Institute brought out a Guidance Note on Accounting for Depreciation in Companies which came into effect in respect of accounting periods commencing on or after 1st April, 1989.

The Guidance Note differed from AS 6 in respect of accounting treatment of

(a) Change in the method of depreciation, and

(b) Change in the rates of depreciation.

Depreciable assets are those assets :

- Life of the asset should be more than one year.
- Having a limited useful life.
- Held by an enterprise and use in production or providing goods and services.
- Not held for sale in the ordinary course of business.

Depreciable amount of a depreciable asset is its historical cost, or other amount substituted for historical cost less the estimated residual value.

Useful life is the period over which a depreciable asset is expected to be used by the enterprise.

The useful life of a depreciable asset is shorter than its physical life.

There are two method of depreciation :

- Straight Line Method (SLM)
- Written Down Value Method (WDVM)

This accounting standard is not applied on the following items :

- Forests and plantations
- Wasting assets
- Research and development expenditure
- Goodwill
- Live stock

The depreciation method selected should be applied consistently from period to period. The change in method of depreciation should be made only if;

- The adoption of the new method is required by statute; or
- For compliance with an accounting standard; or
- If it is considered that change would result in a more appropriate preparation of financial statement; or

- When there is change in method of depreciation, depreciation should be recalculated in accordance with the new method from the date of the assets coming into use.

Construction Contracts (AS-7)

AS 7 Construction Contract describes and lays out the accounting treatment in respect of the revenue and costs in relation to a construction contract. AS 7 Construction Contract is to be used in for the accounting of construction contracts in the financial statements of the contractors.

Types of Construction Contract: Construction contracts are of two types :

(a) **Fixed Price Contracts :** In this case of contract, contractor agrees for fixed price of the contract or fixed rate/unit. However, in some cases the contract price is subject to escalation.

(b) **Cost-Plus Contract :** In these contracts, contractor is reimbursed the cost fixed percentage of profit.

Calculating the Profit or Loss of a Construction Contract

Profit or loss on construction contract is Contract revenue - Contract Cost.

Contract Revenue : Contract revenue includes/excludes the following :

Add/Includes

(a) Revenue/price agreed as per Contract.

(b) Revenue arising due to escalation clause.

(c) When a fixed price contract involves a fixed price per unit of output, contract revenue increases as the number of units is increased.

Less/Excludes

(a) Penalties arising from delays caused by the contractor in the completion of the contract.

(b) A variation is an instruction by the customer for a change in the work to be performed. It may lead to an increase/decrease in contract revenue. Variations are considered only when :

- There is a certainty of collection (it is probable that the customer will accept) the variation
- There is a certainty of measurement.

Determination of The Stage of Completion

The stage of completion of a contract may be determined in different ways. Depending on the nature of the contract, the methods may include:

(i) The proportion of contract cost incurred the total estimated cost of contract; (for example: if the total cost of the contract is Rs. 30 lakhs and the cost incurred till date is Rs.15 lakhs, the stage of completion is regarded as 50% complete i.e. 15 lakhs/30 lakhs)

(ii) Surveys of work performed; (for example: in a contract for construction of a bridge, the site inspector can do a survey and with regards to the technicalities of the project, inform how much work has been completed)

(iii) Completion of a physical proportion of contract work (for example: in a contract for construction of a five story building, if three stories are complete, the stage of completion for the same is regarded as 60% i.e. 3 stories/5 stories)

When the outcome of a construction contract cannot be estimated, the revenue and cost should be recognized only to the extent of contract costs incurred whose recovery is probable.

Recognition of Expected Losses

In a situation where it is expected that the total contract costs will exceed total revenue from such contract, the expected losses should be immediately recognized as expenses. The number of such losses shall be determined irrespective of the following:

(i) The work has commenced on the contract or not

(ii) The stage of completion

(iii) The number of profits expected to arise on other contracts which are segmented as explained above

Disclosures required in financial statements

An organization should disclose :

(i) Contract revenue recognized during the accounting period

(ii) The methods used to determine the contract revenue recognized in the period

(iii) The methods used to determine the stage of completion of contracts in progress

Following disclosures contracts in progress shall also be given at the reporting date :

(i) An aggregate cost incurred and net profits recognized

(ii) The amount received as advances

(iii) The amount kept retentions

Accounting for Research and Development (AS-8)

Note : In view of operation of AS 26, this Standard stands withdrawn.

Revenue Recognition (As-9)

- Standard does not deal with revenue recognition aspects of revenue arising from construction contracts, hire-purchase and lease agreements, government grants and other similar subsidies and revenue of insurance companies from insurance contracts. Special considerations apply to these cases.
- Revenue from sales and services should be recognised at the time of sale of goods or rendering of services if collection is reasonably certain; i.e., when risks and rewards of ownership are transferred to the buyer and when effective control of the seller as the owner is lost.
- In case of rendering of services, revenue must be recognised either on completed service method or proportionate completion method by relating the revenue with work accomplished and certainty of consideration receivable.
- Interest is recognised on time basis, royalties on accrual and dividend when owner's right to receive payment is established.
- Disclose circumstances in which revenue recognition has been postponed pending significant uncertainties.

Accounting for Fixed Assets (AS-10)

This Standard should be applied in accounting for property, plant and equipment except when another Accounting Standard requires or permits a different accounting treatment.

This Standard does not apply to :

(a) biological assets related to agricultural activity other than bearer plants. This Standard applies to bearer plants but it does not apply to the produce on bearer plants; and

(b) wasting assets including mineral rights, expenditure on the exploration for and extraction of minerals, oil, natural gas and similar non-regenerative resources.

However, this Standard applies to property, plant and equipment used to develop or maintain the assets described in (a) and (b) above.

Other Accounting Standards may require recognition of an item of property, plant and equipment based on an approach different from that in this Standard. For example, AS 19, Leases, requires an enterprise to evaluate its recognition of an item of leased property, plant and equipment on the basis of the transfer of risks and rewards. However, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed by this Standard.

Investment property, as defined in AS 13, Accounting for Investments, should be accounted for only in accordance with the cost model prescribed in this standard

The following terms are used in this Standard with the meanings specified:

Agricultural Activity is the management by an enterprise of the biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological assets.

Accounting Standard 11 : The Effects of Changes in Foreign Exchange Rates (Revised 2003)

- The Standard is applied in accounting for transactions in foreign currency, and translating financial statements of foreign operations. It also deals with accounting of forward exchange contract.
- Initial recognition of a foreign currency transaction shall be applying the foreign currency exchange rate as on the date of transaction. In case of voluminous transactions, a weekly or a monthly average rate is permitted, if fluctuation during the period is not significant.
- At each balance sheet date, foreign currency monetary items such as cash, receivables, payables shall be reported at the closing exchange rates unless there are restrictions on remittances or it is not possible to affect an exchange of currency at that rate. In the latter case, it should be accounted at realizable rate in reporting currency. Non- monetary items such as fixed assets, investment in equity shares which are carried at historical cost shall be reported at the exchange rate on the date of transaction. Non- monetary items which are carried at fair value shall be reported at the exchange rate that existed when the value was determined.
- Exchange differences arising on the settlement of monetary items or on restatement of monetary items on each balance sheet date shall be recognized as expense or income in the period in which they arise.
- Exchange differences arising on monetary item which in substance, it is net investment in a non-integral foreign operation (long-term loans) shall be credited to foreign currency translation reserve and shall be recognized as income or expense at the time of disposal of net investment.
- The financial statements of an integral foreign operation shall be translated as if the transactions of the foreign operation had been those of the reporting enterprise; i.e., it is initially to be accounted at the exchange rate prevailing on the date of transaction.
- For incorporation of non-integral foreign operation, both monetary and non-monetary assets and liabilities should be translated at the closing rate as on the balance sheet date. The income and expenses should be translated at the exchange rates at the date of transactions. The resulting exchange differences should be accumulated in the foreign currency translation reserve until the disposal of net investment any goodwill or capital reserve on acquisition on non-integral financial operation is translated at the closing rate.
- In Consolidated Financial Statement (CFS) of the reporting enterprise, exchange difference arising on intra-group monetary items continues to be recognised as income or expense, unless the same is in substance an enterprise's net investment in non-integral foreign operation.
- When the financial statements of non-integral foreign operations of a different date are used for CFS of the reporting enterprise, the assets and liabilities are translated at the exchange rate prevailing on the balance sheet date of the non-integral foreign operations. Further adjustments are to be made for significant movements in exchange rates up to the balance sheet date of the reporting enterprise.

- When there is a change in the classification of a foreign operation from integral to non integral or vice versa, the translation procedures applicable to the revised classification should be applied from the date of reclassification.
- Exchange differences arising on translation shall be considered for deferred tax in accordance with AS 22.
- Forward Exchange Contract may be entered to establish the amount of the reporting currency required or available at the settlement date of the transaction or intended for trading or speculation. Where the contracts are not intended for trading or speculation purposes the premium or discount arising at the time of inception of the forward contract should be amortized as expense or income over the life of the contract. Further, exchange differences on such contracts should be recognized in the statement of profit and loss in the reporting period in which there is change in the exchange rates. Exchange difference on forward exchange contract is the difference between exchange rate at the reporting date and exchange difference at the date of inception of the contract for the underlying currency.
- Profit or loss arising on the renewal or cancellation of the forward contract should be recognized as income or expense for the period. A gain or loss on forward exchange contract intended for trading or speculation should be recognized in the statement of profit and loss for the period. Such gain or loss should be computed with reference to the difference between forward rate on the reporting date for the remaining maturity period of the contract and the contracted forward rate. This means that the forward contract is marked to market. For such contract, premium or discount is not recognized separately.

Disclosure

- Amount of exchange difference included in statement of profit and loss.
- Net exchange difference accumulated in Foreign Currency Translation Reserve.
- In case of reclassification of significant foreign operation, the nature of the change, the reasons for the same and its impact on the share -holders fund and the impact on the Net Profit and Loss for each period presented.
- Non-mandatory Disclosures can be made for foreign currency risk management policy.
- For the purpose of exercise of this option, an asset or a liability shall be designated as long-term foreign currency monetary item if the asset or liability is expressed in foreign currency and has a term of 12 months or more at the date of origination of asset or liability.
- If the option is exercised, disclosure shall be made of exercise of such option and the amount remaining to be amortized in the financial statements of the period in which such option is exercised and in every subsequent period so long as any exchange difference remains unamortized.

Accounting Standard 12 : Accounting for Government Grants

- Grants can be in cash or in kind and may carry certain conditions to be complied with.
- Grants should not be recognised unless reasonably assured to be realized and the enterprise complies with the conditions attached to the grant.
- Grants towards specific assets should be deducted from its gross value. Alternatively, it can be treated as deferred income in the statement of profit and loss on rational basis over the useful life of the depreciable asset. Grants related to non-depreciable asset should be generally credited to Capital Reserves unless it stipulates fulfillment of certain obligations. In the latter case, the grant should be credited to the statement of profit and loss over a reasonable period. The deferred income balance to be shown separately in the financial statements.

- Grants of revenue nature to be recognised in the statement of profit and loss over the period to match with the related costs, which are intended to be compensated. Such grants can be treated as other income or can be reduced from the related expense.
- Grants by way of promoter's contribution are to be credited to Capital Reserves and considered as part of share- holders 'funds.
- Grants in the form of non-monetary assets, given at concessional rate, shall be accounted at their acquisition cost. Asset given free of cost be recorded at nominal value.
- Grants receivable as compensation for losses/expenses incurred should be recognised and disclosed in the statement of profit and loss in the year it is receivable and shown as extraordinary item, if material in amount.
- Grants which become refundable be shown as extraordinary items.
- Revenue grants when refundable should be first adjusted against unamortized deferred credit balance of the grant and the balance should be charged to the statement of profit and loss.
- Grants against specific assets on becoming refundable are recorded by increasing the value of the respective asset or by reducing Capital Reserve/Deferred income balance of the grant, as applicable. Any such increase in the value of the asset shall be depreciated prospectively over the residual useful life of the asset.
- Grant to promoters' contribution which becomes refundable, should be reduced from Capital Reserves.
- Accounting policy adopted for grants including the method of presentation, extent of recognition in the financial statements, accounting of non-monetary assets given at concession/free of cost to be disclosed.

Accounting Standard 13 : Accounting for Investments

- Current investments and long-term investments be disclosed distinctly with further sub classification into government or trust securities, shares, debentures or bonds, investment properties, others unless it is required to be classified in other manner as per the statute governing the enterprise.
- Cost of investment to include acquisition charges, including brokerage, fees and duties.
- Investment properties should be accounted as long-term investments. It includes investment in land or building that are not intended to be occupied substantially for use by or in the operations of investing enterprise.
- Current investments be carried at lower of cost and fair value either on individual investment basis or by category of investment but not on global basis.
- Long-term investments be carried at cost. Provision for diminutions in value (other than temporary) to be made for each investment individually.
- If an investment is acquired by issue of shares/securities or in exchange of an asset, the cost of the investment is the fair value of the securities issued or the assets given up. Acquisition cost may be determined considering the fair value of the investments acquired.
- Changes in the carrying amount and the difference between the carrying amount and the net proceeds on disposal be charged or credited to the statement of profit and loss.
- Disclosure is required for the accounting policy adopted, classification of investments; profit/loss on disposal and changes in carrying amount of such investment.
- Significant restrictions on right of ownership, reliability of investments and remittance of income and proceeds of disposal thereof be disclosed.

- Disclosure should be made of aggregate amount of quoted and unquoted investments together with aggregate value of quoted investments.
- Disclosure to be made of income from long-term and current investment separately statement of profit and loss.

Accounting Standard 14 : Accounting for Amalgamations

Amalgamation could be done either by the transfer of two or more existing entity to new entity or by the transfer of one or more undertaking to an existing company. This standard deals with accounting for amalgamation and the treatment of goodwill or reserves and AS-14 includes the direction for amalgamation of companies although it's some of the provisions also applies to other entities. It is important to understand the difference between the word Amalgamation and Acquisition.

There are two methods of amalgamation viz. **"Amalgamation in the nature of Purchase"** and **"Amalgamation in the nature of merger"**.

Acquisition includes the purchase of whole or part of the shares or whole or part of the assets of another company in consideration of cash or the payment by way of issuing the securities or partly by one method and partly by other method. The distinguishing feature of the acquisition is that during this process the company who is acquired does not loss its existence as separate entity. That the standards of accounting of amalgamation do not apply to the rules of acquisition.

- **Transferor Company :** Company which is amalgamated into another company.
- **Transferee Company :** A company into which a transferor company is amalgamated.
- **Reserve :** It is that portion of earning, receipt or other incomes of the enterprise which is attributable to some general or specific purpose other than provision for depreciation.

Amalgamation in the Nature of Merger

If it satisfies all the conditions mentioned below :

All the assets and liabilities of the transferor become the assets and liabilities of the transferee, after amalgamation.

Not less than 90% of the equity shareholder agrees to become the shareholders of the transferee company.

Consideration for the equity shareholders of the transferor company who agrees to become the shareholders of the transferee company is discharged wholly through the payment by way of issue of equity shares or other securities or a combination of both, only the fraction of the share could be paid by way of cash.

Business of the transferor company is intended to be carried out, after amalgamation by the transferee company.

No adjustment is intended to be made in the book value of the assets and liabilities of the transferor company when they are included in the financial statement of the transferee company except to ensure uniformity in the accounting policies.

Amalgamation in the Nature of Purchase : If any one of the above mentioned condition get dissatisfied, then such amalgamation will be treated as the amalgamation in the nature of purchase.

Consideration : Any payment made by the transferee to the transferor by way of equity shares of the transferee company or any other security or by way of cash or other assets by the transferee company to the shareholders of the transferor company.

Fair Value : Fair value is the amount for which a assets could be exchanged between the transferor and transferee.

Borrowing Costs (AS-16)

This Notified accounting standard is mandatorily applicable to all enterprises. It is specifically stated that this accounting standard is only related to External Borrowings and does not deal with the cost of raising Equity or Convertible Preference Shares.

Effective Date : This standard came into effect from Financial Year starting on or after 1st April 2000.

As per ICAI "Borrowing Costs are interest and other costs incurred by an enterprise connected with the borrowing of funds"

The following points should be taken into consideration for borrowing costs :

(a) Interest on short term loans or long-term debts should be included as part of borrowing cost. Ex: Interest paid to financial institutions for loan taken to acquire the asset.

(b) If an enterprise has incurred any discounts or premiums related to the borrowing cost, then it will also be amortized. Ex: Amount paid to the financial institutions as loan processing cost

(c) If an enterprise has incurred any finance/ancillary cost connected the borrowings, then it will also be amortized. Ex: Amount to the professionals for preparation of project reports, etc.

(d) If an enterprise has acquired any asset under finance lease or any other similar arrangement, then those finance cost will also be amortized. Ex: Leasing cost paid to the lessor every year.

If an enterprise has taken any borrowing in foreign currency, then the exchange rate fluctuation will also be amortized to the extent they are regarded as an adjustment of interest costs. Ex: An enterprise has taken a loan from foreign financial institutions when the rate of US $ was 64, while at the end of the financial year the rate of US $ was 65. The rate difference of US $ 1 will be treated as Borrowing Cost.

Qualifying Assets

Qualifying Assets are those assets which take substantial time to be ready for the intent of sale or use.

Substantial period primarily depends on the facts and circumstances of the case. Generally, a period of 12 months is considered as a substantial period unless a shorter or longer period can be justified based on facts and circumstances of the case.

Borrowing costs are capitalized in the books of accounts with the qualifying assets when it is certain that it will have future economic benefits. Any other borrowing costs must be treated as an expense in the period in which they are incurred.

Capitalization of Borrowing Cost

The following conditions should be satisfied for capitalization of borrowing costs:

(a) Those borrowings costs which are directly attributable to the acquisition, construction or production of qualifying asset, are eligible for capitalization. Directly attributable costs are those costs which would have been avoided if the expenditure on the qualifying assets has not been made.

(b) Qualifying assets will give future benefit to the enterprises and the cost can be measured reliably

Types of Borrowings

The two types of borrowings which are detailed below in the table are :

(a) Specific borrowings

(b) General borrowings

Amount of borrowing cost to be capitalized is :

Type of Borrowing	Amount to be Capitalized
Specific Borrowing	The amount to be capitalized is: Actual Borrowing Cost incurred during the period Minus Any income on temporary investment of borrowed funds (Ex: The excess money invested in Fixed Deposit will have interest gain)
General Borrowing	The amount to be capitalized involves few steps: a. Calculate Capitalization Rate. It will be weighted average of borrowing cost. b. Cost to be Capitalized = Capitalization rate * Amount spent on qualifying asset out of general borrowing Note: Amount of borrowing cost capitalized during a period should not exceed the amount of borrowing cost incurred during the period.

Commencement of Capitalization

The Commencement of Capitalization of borrowing cost should commence when all the conditions below are fulfilled :

(a) Expenditure for the acquisition, construction or production of a qualifying asset is being incurred. Here expenditure includes those expenditure in the nature of cash or transfer of any asset or the assumption of interest bearing liabilities

(b) Borrowing Costs are being incurred.

(c) Activities that are necessary to prepare the asset for its intended use or sale are in progress. The activities here need not be the physical activities, but the technical and administrative work related to the assets is also taken into consideration

Suspension of Capitalization

Capitalization of Borrowing cost are commenced when the above mentioned 3 points are satisfied. However, if there is a temporary delay in which the active necessary developments are interrupted then there will be a suspension of capitalization.

However, if the temporary delay is necessary part of the process of getting an asset ready for its intended use or sale, then there will be no suspension of capitalization.

Cessation of Capitalization

Capitalization of borrowing cost ceases when all the activities necessary to prepare the qualifying assets are complete. If an asset has been completed in parts and a completed part is capable of being used while the construction for the other part continues then the capitalization for that completed part will cease.

Example : A business park consists of several buildings and each building can be treated as an individual part.

Disclosures

The Financial Statements should disclose the following:

(a) The accounting policy adopted for borrowing costs

(b) The amount of borrowing costs capitalized during the year

Segment Reporting (AS-17)

- Requires reporting of financial information about different types of products and services an enterprise provides and different geographical areas in which it operates.
- A business segment is a distinguishable component of an enterprise providing a product or service or group of products or services that is subject to risks and returns that are different from other business segments.

- A geographical segment is distinguishable component of an enterprise providing products or services in a particular economic environment that is subject to risks and returns that are different from components operating in other economic environments.
- Internal organizational management structure, internal financial reporting system is normally the basis for identifying the segments.
- The dominant source and nature of risk and returns of an enterprise should govern whether its primary reporting format will be business segments or geographical segments.
- A business segment or geographical segment is a reportable segment if revenue from sales to external customers and from transactions with other segments exceeds 10% of total revenues (external and internal) of all segments; or segment result, whether profit or loss, is 10% or more of (i) combined result of all segments in profit or (ii) combined result of all segments in loss whichever is greater in absolute amount; or segment assets are 10% or more of all the assets of all the segments. If there is reportable segment in the preceding period (as per criteria), same shall be considered as reportable segment in the current year.
- If total external revenue attributable to reportable segment constitutes less than 75% of total revenues, additional segments should be identified, for reporting.
- Under primary reporting format for each reportable segment, the enterprise should disclose external and internal segment revenue, segment result, amount of segment assets and liabilities, cost of fixed assets acquired, depreciation, amortization of assets and other non-cash expenses.
- Interest expense (on operating liabilities) identified to a particular segment (not of a financial nature) will not be included as part of segment expense. However, interest included in the cost of inventories (as per AS 16) is to be considered as a segment expense (ASI 22).
- Reconciliation between information about reportable segments and information in the financial statements of the enterprise is also to be provided.
- Secondary segment information is also required to be disclosed. This includes information about revenues, assets and cost of fixed assets acquired.

Related Party Disclosures (AS-18)

The Standard deals with following related party relationships :

(i) Enterprises that directly or indirectly control (through subsidiaries) or are controlled by or are under common control with the reporting enterprise;

(ii) Associates, Joint Ventures of the reporting entity; Investing party or venture in respect of which reporting enterprise is an associate or a joint venture;

(iii) Individuals owning voting power giving control or significant influence;

(iv) Key management personnel and their relatives; and

(v) Enterprises over which any of the persons in (iii) or (iv) are able to exercise significant influence.

Parties are considered related if one party has ability to control or exercise significant influence over the other party in making financial and/or operating decisions.

- Following are not considered related parties :
  - (i) Two companies merely because of common director,
  - (ii) Customer, supplier, franchiser, distributor or general agent merely by virtue of economic dependence; and
  - (iii) Financiers, trade unions, public utilities, government departments and bodies merely by virtue of their normal dealings with the enterprise.

- Disclosure under the standard is not required in the following cases :
  - (i) If such disclosure conflicts with duty of confidentially under statute, duty cast by a regulator or a component authority;
  - (ii) In consolidated financial statements in respect of intra-group transactions; and
  - (iii) In case of state-controlled enterprises regarding related party relationships and transactions with other state-controlled enterprises.
- Relative (of an individual) means spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in dealings with the reporting entity.
- Where there are transactions between the related parties following information is to be disclosed: name of the related party, nature of relationship, nature of transaction and its volume (as an amount or proportion), other elements of transaction if necessary for understanding, amount or appropriate proportion outstanding pertaining to related parties, provision for doubtful debts from related parties, amounts written off or written back in respect of debts due from or to related parties.
- Names of the related party and nature of related party relationship to be disclosed even where there are no transactions but the control exists.
- Under the Companies Act, 2013, the whole-time director(s), the chief financial officer and the company secretary are key management personnel.

Leases (AS-19)

- Applies in accounting for all leases other than leases to explore for or use natural resources, licensing agreements for items such as motion pictures films, video recordings, plays, etc. and lease for use of lands.
- A lease is classified as a finance lease or an operating lease.
- A finance lease is one where risks and rewards incident to the ownership are transferred substantially; otherwise it is an operating lease.
- Treatment in case of finance lease in the books of lessee :

At the inception, lease should be recognised as an asset and a liability at lower of fair value of leased asset and the present value of minimum lease payments (calculated on the basis of interest rate implicit in the lease or if not determinable, at lessee's incremental borrowing rate).

Lease payments should be appropriated between finance charge and the reduction of outstanding liability so as to produce a constant periodic rate of interest on the balance of the liability.

Depreciation policy for leased asset should be consistent with that for other owned depreciable assets and to be calculated as per AS 6.

Disclosure should be made of assets acquired under finance lease, net carrying amount at the balance sheet date, total minimum lease payments at the balance sheet date and their present values for specified periods, reconciliation between total minimum lease payments at balance sheet date and their present value, contingent rent recognised as income, total of future minimum sub-lease payments expected to be received and general description of significant leasing arrangements.

Accounting Standard 20 : Earnings Per Share

- Focus is on denominator to be adopted for earnings per share (EPS) calculation.
- In case of enterprises presenting consolidated financial statements EPS to be calculated on the basis of consolidated information.
- Requirement is to present basic and diluted EPS on the face of the statement of profit and loss for each class of equity shares with equal prominence to all periods presented.
- EPS required to be presented even when negative.

- Basic EPS is calculated by dividing net profit or loss for the period attributable to equity shareholders by weighted average of equity shares outstanding during the period. Basic and Diluted EPS to be computed on the basis of earnings excluding extraordinary items (net of tax expense). (Limited Revision w.e.f. 1-4-2004).
- Earnings attributable to equity shareholders are after the preference dividend for the period and the attributable tax.
- The weighted average number of shares for all the periods presented is adjusted for bonus issue, share split and consolidation of shares. In case of rights issue at price lower than fair value, there is an embedded bonus element for which adjustment is made.
- For calculating diluted EPS, net profit or loss attributable to equity shareholders and the weighted average number of shares are adjusted for the effects of dilutive potential equity shares (i.e., assuming conversion into equity of all dilutive potential equity).
- Potential equity shares are treated as dilutive when their conversion into equity would result in a reduction in profit per share from continuing operations.
- Effect of anti-dilutive potential equity share is ignored in calculating diluted EPS.
- In calculating diluted EPS, each issue of potential equity share is considered separately and in sequence from the most dilutive to the least dilutive.
- This is determined on the basis of earnings per incremental potential equity.
- If the number of equity shares or potential equity shares outstanding increases or decreases on account of bonus, splitting or consolidation during the year or after the balance sheet date but before the approval of financial statement, basic and diluted EPS are recalculated for all periods presented. The fact is also disclosed.
- Amounts of earnings used as numerator for computing basic and diluted EPS and their reconciliation with the statement of profit and loss are disclosed. Also, the weighted average number of equity shares used in calculating the basic EPS and diluted EPS and the reconciliation between the two EPS is to be disclosed.
- Nominal value of shares is disclosed along with EPS.

Accounting Standard 21 : Consolidated Financial Statements

This standard must be applied when accounting for investment in subsidiaries in a separate financial statement of the parent.

It is to be noted that while preparing a consolidated financial statement, other standards also stay relevant in a similar manner as for standalone statements.

This accounting standard doesn't deal with :

- accounting methods for amalgamations and effects on consolidation, which includes goodwill which arises on amalgamation
- accounting for investments in joint ventures
- accounting for investments in associates

Presentation of Consolidated Financial Statements

A parent company presenting its consolidated financial statements must present these statements along with its standalone financial statements.

The users of financial statements of a parent company are typically concerned with and are required to be educated about, the results of operations and financial position of not only the company itself but also of that group together.

This requirement is served by offering the users of financial statements :

(a) standalone financial statements of a parent; and

(b) consolidated financial statements that provide financial information about the business group as that of a lone enterprise without respect to the legal restrictions of the distinct legal entities

Disclosures in the Financial Statements

Following disclosures must be made AS 21 Consolidated Financial Statements :

(a) In the consolidated financial statements the list of all the subsidiaries of the parent company which includes the name, country of residence or incorporation, the share of ownership interest and, in case different, the share of voting power held

(b) In case the consolidation of particular subsidiary hasn't been made according to the grounds permissible in the accounting standard, reasons for which such subsidiary isn't included in the consolidation must be disclosed in such consolidated financial statements

(c) In the consolidated financial statements, where valid :

  (i) Type of relationship between a parent and its subsidiary, whether direct control or indirect control through the subsidiaries

  (ii) Effect of acquisition and disposal of the subsidiaries on financial position at the date of reporting results for the reporting period and on corresponding amounts for preceding period; and

  (iii) Name of the subsidiary(s) of which reporting date(s) is different

Accounting for Taxes on Income (AS-22)

Accounting Standard 22 has been prescribed by ICAI to be applied in accounting for taxes on income. This AS is applied to match the differences between accounting income and taxable income.

(i) Accounting income is the net profit before tax for a period, as reported in profit and loss statement

(ii) Taxable income is the income on which income tax is payable, computed by applying provisions of the Income Tax Act, 1961 and Rules

There can be differences between accounting income and taxable income because of the following few reasons :

- Expenses debited in profit and loss statement but disallowed as per Income-Tax Act 1961 while computing taxable income
- Provision for Bad/doubtful debts allowed while computing accounting income but disallowed while computing taxable income

Charging depreciation using different rates as per Companies Act 2013 and Income Tax Act 1961

Any income recognized on accrual basis in profit and loss statement but recognized on receipt basis in subsequent period for computing taxable income

In order to mitigate these kinds of differences, AS 22 needs to be applied.

The differences can be of two types :

1. Timing difference: Timing differences are those differences between accounting income and taxable income which can be reversed in one or more subsequent periods. For example, Depreciation allowed as per WDV method for computing taxable income and as per SLM method for computing accounting income.

2. Permanent difference: Permanent differences are those differences between accounting income and taxable income which cannot be reversed any subsequent period. For example, Donation paid in cash is disallowed in computing taxable income whereas it is allowed as expenditure while computing accounting income.

Accounting Standard 23 : Accounting for Investments in Associates in Consolidated Financial Statements

- The Standard sets out principles and procedures for recognising in Consolidated Financial Statement the effect of investments in associates on the financial position and operating results of the group.
- Associates is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture or the investor.
- Significant influence (ordinarily having 20% or more of the voting power) is termed as power to participate in the financial/operating policy decisions but does not have control over such policies. The potential equity shares held by the investee should not be taken into account for determining the voting power of the investor.
- Goodwill/Capital Reserve on the acquisition of an associate should be separately disclosed under carrying amount of investments.
- Under the equity method, unrealized profit/losses resulting from the transaction between investor and associates should be eliminated to the extent of investor's interest in the associates. However, unrealized losses should not be eliminated if cost of the assets cannot be recovered.
- If associate has outstanding preference shares held outside the group, preference dividends whether declared or not, be adjusted in arriving at the investors share of profit or loss.
- If investor's share of losses of an associate equals or exceeds the carrying amount of the investment, the investor will discontinue its share of loss and will show its investment at nil value.
- Where an associate presents consolidated financial statement, the results and net assets of the associate's CFS should be taken into account.
- Listing and description of associates including proportion of ownership interest and proportion of voting power should be disclosed in CFS.
- The investor's share of profits or losses and any extraordinary or prior period items should be disclosed separately in CFS statement of profit and loss.
- If reporting dates or accounting policies of associates are different from that of financial statement of investor, then the difference should be reported in the CFS.
- On the first occasion when investment in an associate is accounted for in CFS, the carrying amount of investment in the associate should be adjusted by using the equity method, from the date of acquisition, with the corresponding adjustment to the retained earnings in CFS.

Accounting Standard 24 : Discontinuing Operations

A company starts many operations in same time and finds that one or some of these operations are not profitable, so company can stop to do activities in these operations. All these operations which is stopped by company is called discontinuing operations. But one more important thing is to know:

Before closing any operation company has already purchased some asset and taken some loan for operating such operation, so proper accounting for this necessary. In accounting treatment of discontinuing operation, company should sell its all assets and paid its all liabilities and balance amount should add in capital or reserve of company.

If time period to dispose-off discontinuing operation is more than one year, then calculate its net annual profit or loss and show it in financial statement like other active operation.

Accounting Standard 25 : Interim Financial Reporting

- Interim financial reports (IFR) are financial statements (complete or condensed) for an interim period that is shorter than a full financial year.

- IFR should include at a minimum a condensed balance sheet, condensed statement of profit and loss, cash flow and selected explanatory notes.
- IFR should include at least each of the heading and sub-headings that were included in the most recent annual financial statements.
- Earnings per share, if disclosed is to be calculated and presented as per AS 20.

  Notes to include at least the following :

  (a) a statement on uniform accounting policies or any change therein.

  (b) explanatory comments about the seasonality of interim operations.

  (c) any unusual items (as per AS 5).

  (d) changes in estimates of amounts reported in prior interim periods/year, if material.

  (e) issuances, buy-backs repayments and restructuring of debt, equity and potential equity shares.

  (f) dividend for each class of equity shares.

  (g) segment reporting, if required as per AS 17.

  (h) any changes in composition of the enterprise.

  (i) material changes in contingent liabilities.

  Interim reports to include the following :

  (a) Balance sheet as of the end of current interim period and a comparative balance sheet as of the end of the preceding financial year.

  (b) Statements of Profit and Loss for current interim period and cumulative for current financial year to date and comparative statements of the previous year (current and year to date).

  (c) Cash flow statement cumulatively for the current financial year to date with a comparative statement of previous year (year to date)
- Interim measurements may rely on estimates.
- For final interim period separate report not necessary as annual statements are presented.
- Uniform accounting policies to be applied in interim and annual financial statements.
- Seasonal/occasional revenues and uneven costs to be anticipated or deferred only if appropriate to do so at the end of the financial year.
- Estimates to be measured in such a way that resulting information is reliable and all material information disclosed.
- In case of change of accounting policies, other than one for which transition is specified by an accounting standard, figures of prior interim periods of current financial year to be restated.

Note : The presentation and disclosure requirements contained in AS 25 are not required to be applied in respect of 'Interim financial results' - example, the one presented under Clause 41 of the Listing Agreement, since they do not meet the definition of 'interim financial report'. However, the recognition and measurement principles as per AS 25 should be applied. (ASI 27 not incorporated in Notified AS).

Accounting Standard 26 : Intangible Assets

- Not applicable to intangibles covered by other AS, financial assets, mineral rights/expenditure on exploration, etc. and arising in insurance enterprises from contracts with policy holders. This AS is not applicable to expenditure in respect of termination benefits.
- An intangible asset is an identifiable non-monetary asset, without physical substance, held for use in the production or supply of goods or services, for rental to others, or for administrative purposes. An asset is a resource :

(a) controlled by an enterprise as a result of past events; and

(b) from which future economic benefits are expected to flow to the enterprise.

- Useful life is period of time over which an asset is expected to be used or the number of production units expected to be obtained from the asset.
- Impairment loss is the amount by which the carrying amount exceeds its recoverable amount.
- An intangible asset to be recognised only if future economic benefits will flow and the cost of the asset can be measured reliably.
- Probability of future economic benefits to be assessed using reasonable and supportable assumptions.
- An intangible asset should be measured initially at cost.
- Internally generated goodwill, brands, mastheads, publishing titles, etc. should not be recognized as an asset.
- No intangible asset arising from research to be recognized and expenditure on research should be recognized as an expense, when incurred.
- An intangible asset arising from development to be recognized, if an enterprise can demonstrate its feasibility to complete, intention and ability to use or sell, generation of future economic benefits, and availability of resources for completion and ability to measure the expenditure.
- Expenditure on an intangible item that cannot be treated as an asset, should be recognized as an expense and treated as goodwill (capital reserve), in case of an amalgamation (AS 14).
- Treatment of expenditure (other than expenditure on VRS) incurred on intangible items, which do not meet the criteria of an 'intangible asset'.
- Expenditure, on an intangible item recognized as an expense should not form part of cost of an intangible asset at a later date.
- Subsequent expenditure to be added to cost only if is probable that the expenditure will generate future benefits in excess of the original estimates.
- An intangible asset should be carried at its cost less any accumulated amortization and any accumulated impairment losses.
- An intangible asset should be amortized over its useful life on a systematic basis, to reflect the pattern in which the economic benefits are consumed or if the pattern cannot be determined reliably, on the straight line method.
- There is a rebuttable presumption for useful life of an intangible asset - not exceeding ten years from the date it is available for use. In case of intangible assets in form of legal rights, the useful life is not to exceed the period of the legal rights, unless renewable, which is virtually certain.
- Residual value to be taken as zero unless a commitment to purchase the asset or an active market exists.
- The amortization period and method to be reviewed at each financial year end and any change to be accounted for as per AS 5.
- Any impairment loss to be recognized.
- The recoverable amount of each intangible asset to be estimated at each year end in case of an intangible asset which is not yet available for use and one which is amortised over a period exceeding ten years.

- An intangible asset to be derecognized on disposal or when no future economic benefits are expected from its use and gain or loss recognized.
- Disclosure for each class of intangibles, their useful lives, amortization, amount and method, carrying amount (gross and net), accumulated amortization, any additions, retirements, impairment losses recognized or reversed and any other change, distinguishing between internally generated and other intangible assets.
- In case of useful life of an intangible asset exceeding ten years, proper disclosure of the reasons for the same should be given.
- Research and Development expenditure recognized as expense to be disclosed.

Accounting Standard 27 : Financial Reporting of Interests in Joint Ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control.

Joint control is the contractually agreed sharing of control over an economic activity.

For evaluating joint control, one needs to consider whether the contractual arrangement provides protective rights or participative rights to the enterprise. The existence of participative rights would be evidence of joint control. With effect from 1-4-2004 this explanation is removed by Limited Revision to the Standard.

- Control is the power to govern the financial and operating policies of an economic activity to obtain benefits from it.
- A venture is a party to a joint venture and has joint control over that joint venture.
- An investor in a joint venture is a party to a joint venture and does not have joint control over that joint venture.
- Venture to recognize in individual and consolidated financial statements its share of assets, liabilities, incomes and expenses in the jointly controlled operations and also in jointly controlled assets.
- In venture's separate financial statements, any interest in a jointly controlled entity to be accounted as an investment and AS 13 to be followed.
- In a venture's consolidated financial statements, interest in jointly controlled entity to be reported using proportionate consolidation except:
  - when interest is acquired and held with a view of disposal in near future to be considered as not more than 12 months from acquisition of relevant investments unless a longer period can be justified on the basis of facts and circumstances (ASI 8 incorporated in (AS)
- A venturer to discontinue use of proportionate consolidation from the date
  - it ceases to have joint control (may retain interest)
  - use of proportionate consolidation is no longer appropriate.

In such cases, AS 21 to be followed if venturer becomes parent and in other cases, AS 13 and/ or AS 23 to be followed.

- Cost in such cases is the venturer's share in net assets on date of discontinuance of proportionate consolidation as adjusted with carrying amount of the relevant goodwill/ capital reserve recognised at the time of acquisition.
- In case of sale of assets by a venturer to the joint venture the venturer should recognise only that portion of gain or loss as attributable to the interests of the other venturers. Full loss to be booked in case of evidence of reduction in the net realisable value of current assets or on impairment loss.

- In case of purchase of assets by a venturer from a joint venture, the venturer should recognise its share of profit only on a resale of the asset to an independent party. Loss to be booked in case of reduction in net realisable value of current asset or impairment loss.
- In case of transactions between venturer and joint venture the above principles to be followed only in consolidated financial statements.
- Investor to follow AS 13, AS 21 and AS 23 as appropriate, for investments in joint ventures.
- Operators/Managers of joint ventures to account for fees as per AS 9.
- A venture to disclose separately, in respect of the joint venture, contingent liabilities and capital commitments.
- A venture to disclose list of joint ventures and interests in significant joint ventures.
- A venture to disclose aggregate amounts of each of the assets, liabilities, income and expenses related to its interests in the jointly controlled entities.

Accounting Standard 28 : Impairment of Assets

- Applied in accounting for the impairment of all assets, other than:
  (a) inventories (AS 2);
  (b) assets arising from construction contracts (AS 7);
  (c) financial assets, including investments (AS 13);
  (d) deferred tax assets (AS 22).
- Recoverable amount is the higher of an asset's net selling price and its value in use.
- Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
- An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.
- Useful life is either :
  (a) the period of time over which an asset is expected to be used; or
  (b) the number of production or similar units expected to be obtained from the asset.
- A cash generating unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets.
- Corporate assets are assets other than goodwill that contribute to the future cash flows of both the cash generating unit under review and other cash generating units.
- An active market is a market where:
  (a) the items traded are homogeneous;
  (b) willing buyers and sellers can normally be found at any time; and
  (c) prices are available to the public.

Accounting Standard 29 : Provisions, Contingent Liabilities and Contingent Assets

This statement should be applied in accounting for provisions and contingent liabilities and in dealing with contingent assets, other than

- those financial instruments that are carried at fair value,
- those resulting from executor contracts except onerous contracts,
- those arising in insurance enterprises from contracts with policy-holders and
- those covered by another Accounting Standard.
- Provision is a liability, which can be measured only by using a substantial degree of estimation.

- Liability is a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

  Contingent Liability is :

  (a) a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise; or

  (b) a present obligation, but is not recognised because it is not probable that outflow of resources embodying economic benefits will be required (or is remote) for its settlement or a reliable estimate of the amount of the obligation cannot be made.

- Contingent asset is a possible asset that arises from past events, the existence of which will be confirmed only by the occurrences or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

  A provision should be recognised when :

  (a) an enterprise has a present obligation as a result of a past event;

  (b) it is probable (more likely than not) that an outflow of resources will be required to settle the obligation; and

  (c) a reliable estimate can be made of the amount of the obligation.

- A contingent liability is not recognised in financial statements but is disclosed.
- A contingent asset is not recognised in financial statements.
- The amount of provision should be measure before tax at the best estimate of the expenditure required to settle the present obligation and should not be discounted to its present value.
- The risks and uncertainties that inevitably surround many events and circumstances should be taken into account in arriving at the best estimate of provision to avoid its under or over statement.
- Expected future events, which are likely to affect the amount required to settle an obligation, may be important in measuring provisions.
- Gains on the expected disposal of assets should not be taken into account in measuring a provision, even if the expected disposal is closely linked with the item requiring provision.
- Whenever all or part of the expenditure relevant to a provision is expected to be reimbursed by another party, the reimbursement should be recognised only on virtual certainty of its receipt. The reimbursement should be treated as a separate asset and should not exceed the amount of the provision. In the statement of profit and loss, the expense relating to a provision may be presented net of the amount recognised for a reimbursement.
- Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate. The provision should be reversed, if it is no longer probable to result in a liability.
- A provision should be used only for expenditures for which the provision was originally recognized and not against a provision recognized for another purpose, so as not to conceal the impact of two different events.
- Provision should not be recognized for future operating losses, since it is not a liability nor does it meet the criteria for provisions.
- A restructuring provision should include only the direct expenditures, necessarily entailed by the restructuring and not associated with the ongoing activities of the enterprise.

  Disclosure :

  (a) **For each class of provision -** the carrying amount at the beginning and end of the period; additional provisions made, amounts used and unused amounts reversed during the period.

(b) **Also for each class of provision -** description of the nature of the obligation, the expected timing of any resulting outflows of economic benefits, the uncertainties about those outflows and the amount of any expected reimbursement (also stating the amount of any asset recognized thereof)

(c) **For each class of contingent liability -** a brief description of its nature and where practicable, an estimate of its financial effect, the uncertainties relating to any outflow and the possibility of any reimbursement. If the information is not disclosed, being not practicable, the fact thereof is to be disclosed.

(d) **In extremely rare cases,** disclosure of any information can be expected to seriously prejudice the position of the enterprise in a dispute with other parties; in such cases, the information need not be disclosed but the fact and reason for such non-disclosure along with the general nature of dispute should be disclosed.

Accounting Standard 30 : Financial Instruments : Recognition and Measurement

AS 30 Financial Instruments: Recognition and Measurement comes into effect in respect of accounting periods commencing on or after 1-4-2009 and will be recommendatory in nature for an initial period of two years. This Accounting Standard will become mandatory in respect of accounting periods commencing on or after 1-4-2012 for all commercial, industrial and business entities except to a Small and Medium-sized Entity as defined below :

(a) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;

(b) which is not a bank (including co-operative bank), financial institution or any entity carrying on insurance business;

(c) whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;

(d) which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year; and

(e) which is not a holding or subsidiary entity of an entity which is not a Small and Medium sized entity.

For the above purpose an entity would qualify as a Small and Medium-sized Entity, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

AS 30 prescribe principles for recognizing and measuring all types of financial instruments except :

(a) Those interests in subsidiaries, associates and joint ventures that are accounted for under AS 21, AS 23 or AS 27.

(b) Rights and obligations under leases to which AS 19 applies. However:

- lease receivables recognized by a lessor are subject to the derecognition and impairment provisions of this standard;
- finance lease payables recognized by a lessee are subject to the de recognition provisions of this standard; and
- Derivatives that are embedded in leases are subject to the embedded derivatives provisions of this standard.

(c) Employers' rights and obligations under employee benefit plans to which AS 15 applies.

(d) Financial instruments issued by the entity that meet the definition of an equity instrument in AS 31 (including options and warrants). However, the holder of such equity instruments should apply this Standard to those instruments, unless they meet the exception in (a) above.

(e) Rights and obligations under insurance contracts which will be covered by proposed Accounting Standard on Insurance Contract, a contract that is within the scope of Accounting Standard on Insurance Contracts because it contains a discretionary participation feature. However, AS 30 applies to derivatives embedded in such a contract.

(f) Contracts for contingent consideration in a business combination. This exemption applies only to the acquirer.

(g) Contracts between an acquirer and a vendor in a business combination to buy or sell an acquire at a future date.

(h) Loan commitments other than those that are designated as financial liabilities at fair value through profit or loss. An issuer of loan commitments should apply AS 29 to those loan commitments that are not within the scope of this standard. However, all loan commitments are subject to the de recognition provisions of this Standard.

(i) Financial instruments, contracts and obligations under share-based payment transactions, except certain contracts to buy or sell a non-financial item as noted below:

(j) Contracts those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments. However, AS 30 does not apply to any such contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

(k) Contract to buy or sell a non-financial item can be settled net in cash or another financial instrument or by exchanging financial instruments.

(l) A written option to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments.

Recognition and De Recognition

A financial asset or liability is recognized when the entity becomes a party to the instrument contract. A financial liability is de recognized when the liability is extinguished. A financial asset is de recognized when, and only when:

- The contractual rights to the cash flows from the asset expire; or
- The entity transfers substantially all the risks and rewards of ownership of the asset; or
- The entity transfers the asset, while retaining some of the risks and rewards of ownership, but no longer has control of the asset (i.e., the transferee can sell the asset). The risks and rewards retained are recognised as an asset.

Accounting Standard 31 : Financial Instruments : Presentation

This Standard comes into effect in respect of accounting periods commencing on or after 1-4-2009 and will be recommendatory in nature for an initial period of two years. This Accounting Standard will become mandatory in respect of accounting periods commencing on or after 1-4-2012 for all commercial, industrial and business entities except to a Small and Medium-sized Entity as defined below :

(a) whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;

(b) which is not a bank (including co-operative bank), financial institution or any entity carrying on insurance business;

(c) whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;

(d) which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year; and

(e) which is not a holding or subsidiary entity of an entity which is not a small and medium sized entity.

For the above purpose an entity would qualify as a Small and Medium-sized Entity, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

AS 31 applies to those contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments. However, AS 30 does not apply to any such contracts that were entered and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

Financial instruments are classified, from the perspective of the issuer, as financial assets, financial liabilities and equity instruments. Compound financial instruments may contain both a liability and an equity component.

Interests, dividends, losses and gains relating to financial liabilities are recognized as income or expense in profit or loss. Distributions to holders of equity instruments are debited directly to equity, net of any related income tax benefit.

Financial assets and financial liabilities are offset when and only when there is a legally enforceable right to set off and the entity intend to settle on a net basis.

AS 31 requires disclosure about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments. It also requires disclosure about the nature and extent of an entity's use of financial instruments, the business purposes they serve, the risks associated with them, and management's policies for controlling those risks.

The principles in AS 31 complement the principles for recognizing and measuring financial assets and financial liabilities as given in AS 30.

Accounting Standard (AS) 32, Financial Instruments : Disclosures

The Standard comes into effect in respect of accounting periods commencing on or after 1-4-2009 and will be recommendatory in nature for an initial period of two years. This Accounting Standard will become mandatory in respect of accounting periods commencing on or after 1-4-2012 for all commercial, industrial and business entities except to a Small and Medium-sized Entity, as defined below :

(i) Whose equity or debt securities are not listed or are not in the process of listing on any stock exchange, whether in India or outside India;

(ii) Which is not a bank (including a co-operative bank), financial institution or any entity carrying on insurance business;

(iii) Whose turnover (excluding other income) does not exceed rupees fifty crore in the immediately preceding accounting year;

(iv) Which does not have borrowings (including public deposits) in excess of rupees ten crore at any time during the immediately preceding accounting year; and

(v) Which is not a holding or subsidiary entity of an entity which is not a Small and Medium sized Entity.

For the above purpose an entity would qualify as a Small and Medium-sized Entity, if the conditions mentioned therein are satisfied as at the end of the relevant accounting period.

Disclosure

An entity should disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the reporting date.

(A) Qualitative Disclosures : For each type of risk arising from financial instruments, an entity should disclose :

(a) The exposures to risk and how they arise;

(b) Its objectives, policies and processes for managing the risk and the methods used to measure the risk; and

(c) Any changes in (a) or (b) from the previous period.

(B) Quantitative Disclosures : For each type of risk arising from financial instruments, an entity should disclose:

(a) Summary quantitative data about its exposure to that risk at the reporting date. This disclosure should be based on the information provided internally to key management personnel of the entity (as defined in AS 18 Related Party Disclosures), for example the entity's board of directors or chief executive officer.

(b) The disclosures required under as mentioned in subsequent clauses, to the extent not provided in (a), unless the risk is not material

(c) Concentrations of risk if not apparent from (a) and (b).

If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to risk during the period, an entity should provide further information that is representative

(C) Credit Risk : An entity should disclose by class of financial instrument :

(a) The amount that best represents its maximum exposure to credit risk at the reporting date without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with AS 31);

(b) In respect of the amount disclosed in (a), a description of collateral held as security and other credit enhancement;

(c) Information about the credit quality of financial assets that are neither past due nor impaired; and

(d) The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.

An entity should disclose by class of financial asset :

(a) An analysis of the age of financial assets that are past due as at the reporting date but not impaired;

(b) An analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the entity considered in determining that they are impaired; and

(c) For the amounts disclosed in (a) and (b), a description of collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

(D) Collateral and Other Credit Enhancements Obtained : When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Standards, an entity should disclose :

(a) The nature and carrying amount of the assets obtained; and

(b) When the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

(E) Liquidity Risk : An entity should disclose :

(a) A maturity analysis for financial liabilities that shows the remaining contractual maturities; and

(b) A description of how it manages the liquidity risk inherent in (a).

(F) Market Risk : Unless an entity complies with sensitivity analysis as mentioned in subsequent clause, it should disclose :

(a) a sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date;

(b) the methods and assumptions used in preparing the sensitivity analysis; and

(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.

If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified above. The entity should also disclose:

(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.

(G) Other Market Risk Disclosures : When the sensitivity analyses is disclosed as above are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity should disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

2.10.1 International Accounting Standards/International Financial Reporting Standards

International Financial Reporting Standards (IFRS), and their official interpretations are set out but by the International financial Reporting Standards Foundation. It includes accounting standards either developed or adopted by the International Accounting Standard Board. The IFRS include :

- International Financial Reporting Standards (IFRS) - development by the International Accounting Standards Board (IASB).
- International Accounting Standards (IASs) adopted by IASB.

Thus there is only technical difference between IFRS and IASs. In Practice these are synonyms.

List of Reporting Standards and International Accounting Standards

Number	Tital	Originally Issues	Effective from	Full Withdrawn	Supercedal by
IAS-1	Presenting of Financial Reporting	1975	January 1, 1975		
IAS-2	Inventories	1975	January 1, 1976		
IAS-3	Consolidated Financial Statements	1976	January 1, 1977	January 1, 1990	IAS 27 and IAS 28
IAS-4	Depreciation Accounting	1976	January 1, 1977	July 1, 1998	IAS 36
IAS-5	Information to be disclosed in Financial Statement	1976	January 1, 1977	July 1, 1998	IAS 1
IAS-6	Accounting Responses to Changing Prices	1977	January 1, 1988	January 1, 1983	IAS 15
IAS-7	Statement of Cash Flow	1977	January 1, 1979	–	–
IAS-8	Accounting Policies, Changes in Accounting Estimates and Errors	1978	January 1, 1979	–	–

IAS-9	Accounting for Research an Development Activities	1978	January 1, 1980	July 1, 1999	IAS 38
IAS-10	Events After Reporting Period	1978	January 1, 1980	–	–
IAS-11	Construction Contracts	1978	January 1, 1980	–	–
IAS-12	Income Taxes	1979	January 1, 1981	–	–
IAS-13	Presention of Current Assets and Current Liabilities	1979	January 1, 1981	July 1, 1998	IAS 1
IAS-14	Segment Reporting	1981	January 1, 1983	January 1, 2009	IFRS 8
IAS-15	Information Reflecting the Effecet of Changing Prices	1981	January 1, 1983	January 1, 2005	Not Applicable
IAS-16	Property, Plant and Equipment	1982	January 1, 1983	–	–
IAS-17	Leases	1982	January 1, 1983	–	–
IAS-18	Revenue	1982	January 1, 1984	–	–
IAS-19	Employee Benefits	1983	January 1, 1985	–	–
IAS-20	Accounting for Government Grants and Disclosure of Government Assistance	1983	January 1, 1984	–	–
IAS-21	The Effects of Changes in Foreign Exchange Rates	1983	January 1, 1985	–	–
IAS-22	Business Combinations	1983	January 1, 1985	April 1, 2004	IFRS 3
IAS-23	Borrowing Costs	1984	January 1, 1980	–	–
IAS-24	Related Party Disclosures	1984	January 1, 1986	–	–
IAS-25	Accounting for Investments	1980	January 1, 1987	January 1, 2007	IAS 39 and IAS 40
IAS-26	Accounting and Reporting by Retirement Benefit Plans	1987	January 1, 1988	–	–
IAS-27	Separate Financial Statements	1989	January 1, 1990	–	–
IAS-28	Investments in Associates and Joint Ventures	1989	January 1, 1990	–	–
IAS-29	Financial Reporting in Hyperinflation Economies	1989	January 1, 1990	–	–
IAS-30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions	1990	January 1, 1992	–	IFRS 7
IAS-31	Interest in Joint Ventures	1990	January 1, 1992	January 1, 2013	IFRS 11 and IFRS 12
IAS-32	Financial Instruments : Presentation	1995	January 1, 1996	–	–

IAS-33	Earning Per Share	1997	January 1, 1999	–	–
IAS-34	Interim Financial Reporting	1998	January 1, 1999	–	–
IAS-35	Discountinuing Operations	1998	July 1, 1999	January 1, 2005	IFRS 5
IAS-36	Impairment of Assets	1998	July 1, 1999	–	–
IAS-37	Provisions, Contingent Liabilities and Contingent Assets	1998	July 1, 1999	–	–
IAS-38	Intangible Assest	1998	July 1, 1999	–	–
IAS-39	Financial Instruments : Recognition and Measurement	1998	January 1, 2007	–	–
IAS-40	Investment Property	2000	January 1, 2001	–	–
IAS-41	Agriculture	2000	January 1, 2003	–	–
IFRS-1	First-time Adoption of International Financial Reporting Standards	2003	January 1, 2004	–	–
IFRS-2	Share based Payment	2004	January 1, 2005	–	–
IFRS-3	Business Combination	2004	April 1, 2004	–	–
IFRS-4	Insurance Contracts	2004	January 1, 2005	–	–
IFRS-5	Non-curreat Assets held for Sale and Discontinued Operations	2004	January 1, 2005	–	–
IFRS-6	Exploration for and Evaluation of Mineral Resources	2004	January 1, 2005	–	–
IFRS-7	Financial Instrument Disclosures	2005	January 1, 2007	–	–
IFRS-8	Operating Segments	2006	January 1, 2009	–	–
IFRS-9	Financial Instruments	2009	January 1, 2015	–	–
IFRS-10	Consolidated Financial Statements	2011	January 1, 2013	–	–
IFRS-11	Joint Arrangements	2011	January 1, 2013	–	–
IFRS-12	Disctosure of Interest in Other Entities	2011	January 1, 2013	–	–
IFRS-13	Fair Value Measurement	2011	January 1, 2013	–	–

Present Status of AS, Ind AS and IFRS in India

The current status of AS, AS(IND) and IFRS is as under :

1. The Institute of Chartered Accountants of India is entrusted to draft accounting standards till the National Advisory Committee on Accounting Standards does not formate its Accounting Standards. There are presently 32 Accounting Standards formulated by the Institute of Chartered Accountants of India. Presently National Advisory Committee on

Accounting Standards considers the Accounting Standards formulated by the Institute of Chartered Accountants of India and recommends, with or without modification to the Ministry of Corporate Affairs, Government of India for their notification.

2. Government of India was committed to adopt International Financial Reporting Standards (IFRS). But Government of India asked ICAI to formulate Indian Accounting Standard convergent with IFRS. The Institute of Chartered Accountants of India has formulated 39 Indian Accounting Standards Convergent to IFRS (the converged Indian Accounting Standards are termed as' Ind AS. Out of them 39 Ind AS has been notified by the Ministry of Corporate Affairs, Government of India on 16th February, 2015. The companies may apply them from 1st April, 2015 enforced gradually from 1st April, 2016. Therefore till 31st March, 2016 the original 32 AS (AS-I to AS-32) are followed for preparation and presentation of financial statements.